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FOREIGN AGRICULTURE

JULY 31, 1972

What China's Farm Trade Needs

Cotton in Central America

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Chinese stevedores unload chemical fertilizer at the Port of Shanghai. U.S.-China agricultural trade receives close scrutiny in a two-part story beginning this week. Part I, which starts on this page, tells how trade was resumed and what the United States can expect to sell to China.

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U.S.-China Farm Trade: Past and Prologue

Part I: What China Needs

By HAROLD C. CHAMPEAU
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In 1946, trade in all products between the United States and China totaled US$550 million, including U.S. agricultural exports of about $190 million. A few years later, trade between the two countries had all but ceased. In 1971, after a 20-year policy of embargo, the first steps were taken to reestablish and rebuild meaningful trade relations. The new trade will be different from the old because much has changed in those two decades, but it is not yet clear how different—or even how similar—the trade will be.

The climate for U.S.-China trade. From World War I until 1949, political, economic, and trade relations between the United States and China were close. As the Communists began their southward drive in early 1949, however, the U.S. imposed selective controls on trade.

Harvesting wheat in Honan Province.

Sorting cotton, Kiangsu Province.

After October 1, 1949, when the People's Republic of China was established, U.S.-China trade relations deteriorated swiftly as the U.S. Government ordered a succession of trade restrictions within a short period of time. The effect was quickly apparent.

By March 1950, U.S. controls on exports to China had already equaled those on exports to the Soviet Union and Eastern Europe. In October 1950, China entered the Korean War and the United States stiffened its regulations.

By late December 1950, the United States moved to stop all exports to Mainland China, to ban American ships and aircraft from trading operations with the Chinese Mainland, and to freeze all Mainland Chinese-owned dollar assets under U.S. jurisdiction.

During the 18 years that followed, the possibilities of trading with China were investigated periodically, but unsuccessfully.

The first successful step was taken in July 1969, when the State Department unilaterally relaxed travel restrictions and authorized individuals to import $100 worth of Chinese goods for noncommercial purposes. More restrictions were eased the following December.

On April 14, 1971, President Nixon announced further changes in travel and trade restrictions: Visas for visitors from China were to be expedited; U.S. currency controls were to be relaxed to permit the use of dollars by China; U.S. vessels or aircraft were to be allowed to carry Chinese cargo between non-Chinese ports; U.S. firms were to be permitted to fuel Chinese ships and aircraft (except those bound to or from North Vietnam, North Korea, or Cuba); and U.S.-owned foreign flag carriers were permitted to call at Chinese ports.

The major breakthrough came on June 10, 1971, when the President announced the termination of the long-standing ban on exports to the People's Republic of China and authorized issuance of a long list of nonstrategic U.S. commodities that could thenceforth be exported under general license (that is, without prior specific authorization from the Department of Commerce). The list included most farm, fish, and forestry products, fertilizers, and agricultural equipment, and a wide range of nonagricultural industrial goods.

The President also suspended the 50-percent U.S. shipping requirement for the export of wheat, flour, and other grains to the Soviet Union and Eastern Europe and exempted grain exports to China from that requirement.

The President also placed all imports from China under general license—subject to the tariff rates generally applicable to goods from most Communist countries—while retaining standby authority for future controls, if required.

Most recently, the visit of President Nixon to China and the joint statement released in Shanghai on February 27 at the conclusion of his visit have clearly enhanced the prospects for improved trade relations. In the communique both sides agreed "to facilitate the progressive development of trade between their two countries" and, in fact, agricultural trade is slowly developing, although thus far it is one-sided—imports by the United States.

There are problems to be resolved as the two nations seek to expand trade relations, but the absence of diplomatic recognition in itself does not appear to be an insurmountable obstacle. Japan, China's largest trade partner, does not have formal diplomatic relations with China, nor does West Germany, the second largest supplier. In fact, none of the three leading grain suppliers of the 1960's—Australia, Canada, and Argentina—had diplomatic relations with China during that period. The U.S. situation is different and more complex than that of most of the trade partners which still do not have diplomatic relations.

Patterns of Chinese imports. As we in the United States consider the prospects for sales of agricultural commodities to China, we must examine the nature of China's current import trade, both by commodity and country. First thoughts of immediate trade possibilities —at least for some commodities—may be more optimistic than warranted. A glance at China's current trade policy and practice will provide clues as to what Chinese trade is and what it is not.

- Imports are discouraged by policies aiming at self-sufficiency and by limitations of foreign exchange. As a

result, China's imports are not really large by world trade standards. Imports increased gradually during the 1950's, with a peak of US$2 billion in 1959, then fell off sharply to a low of $1 billion in 1962. They have been increasing gradually, although unevenly, since. Imports finally surpassed the $2-billion level in 1970, and may have set a record in 1971.

- Basic Chinese trade policy attempts to balance imports and exports. In the trade-deficit years of the early 1950's—when China was still recovering from World War II and the Communist-Nationalist struggle for control—imports were supported in part by credits from the Soviet Union. In every year since 1955, however, imports have been supported by export earnings.

- One trade activity which now reflects a close relationship between exports and imports is the wheat-rice trade. In December 1960, when the food production and supply situation had become critical, China made the first of a long series of grain purchases—largely wheat and flour, but also feedgrains. As its domestic supply situation improved, China continued to import large quantities of wheat, but wheat imports in recent years appear increasingly to be tied to earnings from rice exports.

Rice has been sold at profits which have permitted cheaper wheat imports. The wheat has been directed largely towards the heavily populated, grain-deficit urban areas along the coast of northern China, where wheat is the preferred grain.

The largely external movement of foreign wheat reduces expensive internal shipping of grain which would otherwise add pressure to an already heavily burdened transportation system. Changes in world market price differentials between rice and wheat can be expected to exert considerable influence on this trade in the years ahead.

Nature of imports. In recent history, China's imports have been largely nonagricultural. Agricultural commodities accounted for only 12 percent, or less, of total imports from 1953 to 1956, but their share then increased slightly through 1960. In 1961, largely as a result of three consecutive poor harvests (1959-61), the agricultural import share increased sharply, exceeding 55 percent of total imports in 1962, 1963, and 1964. From 1965 to date, agriculture's share has fallen off to around one-third of total imports.

Grain, largely wheat, was China's largest single import throughout most of the 1960's, while machinery and equipment, metals, and chemicals, including fertilizers, have been among leading nonagricultural imports.

Sources of imports. Early Chinese Communist policy called for strong trade ties with the USSR and other Communist countries. As a result, 60 to 70 percent of China's imports in the last half of the fifties were from other Communist countries. In the sixties, China turned increasingly to non-Communist countries for its import requirements. By 1970, non-Communist countries were supplying about 90 percent of China's total imports.

Among China's non-Communist trade partners, Japan—although a very minor partner in 1960—is now by far the major source of China's imports, accounting for 35 percent of total imports in 1970. West Germany is second, while Canada and Australia, because of wheat, have been close behind. Other major partners are the United Kingdom, France, Italy, and several Asian countries, including Ceylon, Singapore, and Malaysia.

Potential for U.S. agricultural exports to China. The U.S. commodity which provides the best opportunity for sales to China is **wheat.** After a long history of ups and downs in wheat importing, China again began to import large quantities during the poor crop years of the early sixties. Imports reached a peak of 6.3 million tons of wheat and wheat flour during July 1965-June 1966. Wheat imports have decreased in the past 2 years, after reaching 5.1 million tons in 1969-70.

The outlook is for continued imports of wheat, with the level dependent in part on China's success in making large, profitable rice exports; on the domestic production level of wheat and other grains; and on priorities of consumption. (Over the past decade wheat production remained fairly constant at around 22-24 million tons a year while per capita consumption of wheat declined gradually.)

In the early 1960's, when its need was desperate, China imported wheat from several countries—Australia, Canada, France, Argentina, West Germany, the Soviet Union, and Mexico. By 1968-69, only Canada, Australia, and France were still shipping.

Shipments ceased for various reasons. Argentina had a series of below-average wheat harvests which resulted in a sharp decline in stocks, a reduction in exports, and even some wheat imports in the late 1960's.

France suspended wheat exports to

(Continued on page 12)

THE PEOPLE'S REPUBLIC OF CHINA—AGRICULTURAL IMPORTS FROM NON-COMMUNIST COUNTRIES,[1] CY1970

Commodity	Value
	Mil. U.S. dol.[2]
Wheat	255.6
Sugar	70.0
Crude rubber	63.9
Cotton	59.6
Jute	13.3
Wool and other animal hair	4.0
Fixed vegetable oils and fats	2.6
Oils and fats, processed, and waxes	1.6
Crude vegetable materials	1.6
Animal oils and fats	1.1
Coffee	.7
Corn	.6
Sisal and other agave fibers	.6
Oilseeds, oil nuts and kernels	.5
Cocoa beans	.5
Other	1.0
Total agricultural imports	477.2
	Percent
Share of imports from non-Communist countries	28.4

[1] Total imports from non-Communist countries, including Yugoslavia, in CY 1970 amounted to US$1,681,299,000, around 85-90 percent of China's estimated total imports.
[2] F.o.b. value (exporting countries).
Source: USDA, FAS, Grain and Feed Div., April 1972 (from U.S. Department of Commerce statistics, as reported by non-Communist trade partners of China).

Cotton Farmers In Central America Aim at Record Crop

By HORACE G. PORTER
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Central American cotton farmers are aiming for a 1972-73 crop that will leave in excess of one million bales for export. A crop of this size—if it should materialize—would be the largest since 1965-66 and be the third largest on record.

The increased effort to expand next season's production—particularly by the area's big producers, Guatemala, Nicaragua, and El Salvador—is partly the result of extraordinarily favorable yields and favorable prices in 1971-72, making cotton a more profitable crop than in recent years. A very large part of the crop of Guatemala and Nicaragua was sold to merchants by farmers and resold to foreign buyers before harvest and in many instances before planting. In El Salvador the cotton cooperative, acting on behalf of its cotton farmers, sold much of the 1971-72 crop far in advance of harvest.

Even though the early sales were at prices above the average of the previous season, some farmers became disappointed with the contracts as prices continued to advance with the season. Prices for the 1971-72 crop averaged about 28.5 U.S. cents per pound, f.o.b. Pacific ports. With production costs running 22 to 24 U.S. cents per pound (lint basis) last season, the level of profitability has caused a euphoria among cotton producers.

Throughout the 1971-72 harvest there was a great deal of buying interest in the 1972-73 crop planted in June, July, and August, to be harvested early in 1973. A large part of the 1972-73 crop has already been sold—some as high as 37 U.S. cents per pound, f.o.b., Pacific ports. Although precise information is lacking, sales of 1972-73 cotton through March may have averaged about 32.5 U.S. cents per pound f.o.b., Pacific ports, roughly the equivalent of 31 U.S. cents per pound at the gin yard.

Virtually all of the 1971-72 crop of more than 1.1 million bales was produced along the Pacific coastal plains in three countries—Nicaragua, 450,000 bales; El Salvador, 310,000 bales; and Guatemala, 350,000 bales. Relatively small quantities are grown in Honduras and Costa Rica.

The record high outturn per acre in 1971-72 is attributed to the unusually favorable weather throughout the season and widespread use of a comparatively new insecticide providing the best control of whitefly that has yet been experienced. Yields also were given a boost when many farmers recognized that they would benefit financially by lengthening the insect control period thus saving late maturing bolls.

If the area planted to cotton in 1972-73 is about 750,000 acres and yields at a level intermediate between the 1970-71 and 1971-72 crops, the resulting crop would be about 1.25 million bales. Yields above or below this level will affect production on such an acreage by about 15,600 bales for each 10 pounds of lint gain or decline. The average for the past two crops has been about 800 pounds of lint per acre. However, it may be difficult for Central American farmers to repeat the 1971-72 record when yields averaged 17 percent above the earlier record of 1970-71. There is every reason to believe the farmers will make the effort but it remains to be seen whether the weather will cooperate.

If production should total 1.25 million bales in 1972-73, it would be the second largest crop on record, exceeded only by the crop of 1964-65. A crop of this size would supply domestic consumption needs of about 140,000 bales and leave 1.1 million bales for export.

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Cotton loaded at Corinto, Nicaragua.

COTTON: ACREAGE, YIELD, AND PRODUCTION IN CENTRAL AMERICA BY COUNTRY AND TOTAL, 1960-1971

Year beginning August 1	El Salvador			Guatemala			Nicaragua			Other countries			Total		
	Acres	Yield[1]	Production	Acres	Yield[1]	Production	Acres	Yield[1]	Production	Acres	Yield[1]	Production	Acres	Yield[1]	Production
Average	*1,000 acres*	*Lb. per acre*	*1,000 bales*[2]	*1,000 acres*	*Lb. per acre*	*1,000 bales*[2]	*1,000 acres*	*Lb. per acre*	*1,000 bales*[2]	*1,000 acres*	*Lb. per acre*	*1,000 bales*[2]	*1,000 acres*	*Lb. per acre*	*1,000 bales*[2]
1960-64	221	648	294	157	676	220	236	670	343	26	609	33	640	670	894
1965	200	564	235	232	852	412	350	693	505	54	622	70	836	702	1,222
1966	120	704	176	210	663	290	375	672	525	53	562	62	758	667	1,053
1967	100	763	159	218	784	356	350	610	445	49	568	58	717	682	1,018
1968	126	781	205	228	707	336	325	598	405	44	545	50	723	661	996
1969	122	818	208	182	675	256	240	620	310	20	504	21	564	677	795
1970	155	774	250	180	667	250	212	781	345	9	533	10	556	738	855
1971[3]	173	860	310	173	971	350	264	818	450	11	567	13	621	868	1,123

[1] Yields were derived from unrounded acreage and production where such data were available; otherwise rounded data were used. [2] Bales of 480 pounds net. [3] Preliminary.

SUGAR SHORTAGES MAY REDUCE INDIAN EXPORTS BY ONE-THIRD

By D. R. GULATI
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India, which 2 years ago was struggling to find export markets for its surplus sugar, now is confronted with the prospect of shortage and rising prices.

Exports this year are certain to be curtailed. The industry and the Government have decided that exports will be restricted primarily to meeting India's quotas in its preferential markets—the United States and the United Kingdom.

This means that, despite higher international prices and India's critical need for foreign exchange, sugar exports in calender 1972 may be only about 100,000 metric tons—less than one-third of the 331,000 tons exported in 1971.

The rapid swing from surplus to scarcity is typical of the annual fluctuations in India's sugar production. The principal cause is the uncertain climate, but also contributing are competition for land with profitable, high-yielding wheat and administrative problems.

With about 6 million acres planted to sugarcane and annual cane production of approximately 125 million tons, India is the world's largest sugar producer. In recent years it has become one of India's leading exports. India entered the world's centrifugal sugar export market in 1957 by exporting 147,000 tons of sugar and reached its record level of 479,000 tons in 1962.

Since 1962, sugar production has been unpredictable with the result that while the country is established as a net exporter of sugar, the world market and those connected with the sugar industry in India can never be certain of substantial exports in a particular year. As world prices approach the peak levels of recent years, this becomes an important consideration.

India is one of the earliest sources of sugarcane as well as sugar manufacture. The advent of the modern sugar industry, however, began in India in the early 1930's, and now ranks as India's second largest manufacturing industry after cotton textiles. The 32 working units in 1931-32 have grown to 218 sugar mills operating during 1970-71, with capital investment of about $667 million and annual production of centrifugal sugar is currently valued at around $733 million, excluding taxes, of which $467 million will go to cane producers.

Production of mill sugar in the country increased from 120,000 tons in 1930-31 to the record level of 4.26 million tons in 1969-70. In addition, India produces some six to seven million tons of "gur," a crude sugar made from boiling juice in open pans.

The growth was not without ups and downs of sizable magnitude, largely because of the vagaries of the monsoon rains. In addition to instability, the Indian sugar industry suffers from a large number of mills with outdated machinery, resulting in operational inefficiency and high production costs. Other major problems include rigors of official controls and competition for cane supplies from gur and khandsari, a centrifugal sugar produced on farms by small mills.

Khandsari and gur enjoy a free market and tend to attract more cane when sweeteners are in short supply. The industry has often demanded that the minimum cane price be fixed at a level higher than the present price of Rs. 7.37 per quintal (US$1.01 per 100 kilograms) as this would encourage farmers to grow more cane to meet the full requirements of mills as well as gur and khandsari processors.

Area under sugarcane cultivation has fluctuated from season to season resulting in cyclical gluts and scarcities of cane. The trend in sugarcane acreage was upward from 1956 to 1966—increasing from a low of 4.6 million acres in 1955-56 to an alltime high of 7 million acres in 1965-66. In succeeding years it varied between 5 million and 6.8 million acres, and for the current season, 1971-72, is tentatively estimated at 6 million acres.

There are no official plans as yet to increase the area under cane before 1974 but added acreage to make up shortfalls during the last two seasons is likely. At present price levels, and subject to favorable weather conditions, area under sugarcane may approximate 6.5 million acres in 1972-73, and probably more in 1973-74.

The per acre yield of Indian sugarcane, which was stagnant at around 13 metric tons in the early 1950's, increased gradually during the following years as a result of concentrated development effort in certain areas. The average all-India yield is currently believed to be over 20 tons per acre. Even so, the average yield of Indian sugarcane is still among the lowest in major sugar producing countries.

Production has been encouraged through a number of Government-sponsored programs. The Third Plan target (1965-66) of 3.5 million tons of sugar was reached on schedule but the following two seasons witnessed a sharp decline of about 40 percent, due to drought and an adverse effect of rigid controls.

A favorable monsoon, plus a policy of partial decontrol of distribution and prices, initiated in 1967-68, resulted in growth from 95-96 million tons in 1967-68 to a record cane harvest of 135 million tons in 1969-70.

Sugar production during 1969-70 also touched an alltime high of 4.26 million tons. Despite increased domestic consumption and larger exports, the country was left with an unprecedented carryover of about 2.1 million tons in 1969-70, creating financial and storage problems for industry and Government. The easy supply position led to removal of most price, distribution and movement controls from mill sugar, effective May 25, 1971.

In 1970-71, domestic sugar production declined by about 500,000 tons, but the large carryover from 1969-70 sustained the easy supply position and brought prices down to the lowest levels for several years.

Since the beginning of the 1971-72 season, which opened with a substantially reduced carryover, sugar supplies have dropped further leading to shortages and rising prices. Cane production in 1971-72 is estimated at 124 million tons against 129 million tons in 1970-71 and 135 million tons in 1969-70.

Furthermore, high prices of gur and khandsari eroded cane supplies to mills, resulting in a further decline in mill sugar production from about 3.8 million tons in 1970-71 to an anticipated 3.2 to 3.3 million tons in 1971-72.

Largely because of rapid population growth, annual per capita consumption of mill sugar, gur, and khandsari together (refined basis) has been relatively constant since 1960-61 at around 14 pounds.

Consumption during the early part of 1971-72 was at a somewhat higher level, despite the tight supply position, causing prices to soar. In January 1972, the average wholesale sugar price touched a high of 19 cents per pound against a low of 11 cents per pound at the same time in 1971.

To check the upward trend of prices, rationed distribution of sugar through fair price shops was reintroduced effective January 1, 1972. Consumers can now buy their sugar rations from fair price shops at 12 cents per pound.

Under a recent informal agreement between the Government and the mills, 60 percent of the monthly sugar releases from mills are distributed through these fair price shops and the remaining 40 percent is marketed by the mills in the free market. Credit restrictions on sugar, gur, and khandsari were tightened to curb speculation. By mid-February the wholesale sugar price had declined to around $37.75 per 100 kilograms—down $4.81 since January.

Present production and consumption trends indicate that the closing stocks at the end of the current sugar season next September may be around 600,000 metric tons—a sharp decline compared to closing stocks of about 1.5 million tons (revised) in 1970-71 and 2.1 million tons in 1969-70.

Thus, despite higher prevailing international sugar prices and India's critical need for increased foreign exchange earnings, Indian sugar exports in calender 1972 may approximate only 100,000 metric tons, compared with 331,738 metric tons in 1971.

Since the production cost of Indian sugar continues to be higher than world prices, exports have been highly subsidized—subsidy estimated at about $20 million in 1971 and $11.5 million in 1970. Exports in 1972, which will go mainly to the United States and the United Kingdom at preferential prices, will involve a considerably reduced subsidy to be borne wholly by the industry.

The Government had proposed to increase the industry's capacity from 4 million tons on December 31, 1968, to 4.96 million tons by the end of the Fourth Plan on March 31, 1974. By June 26, 1971, the total licensed capacity stood at 5 million tons.

Installed mills as of that date numbered 222, with a total capacity of 3.7 million tons, leaving another 54 mills with a capacity of 1.3 million tons still to be installed. While the installed capacity is considered adequate to meet current needs, the Fourth Plan sugar production target of 4.7 million tons by 1973-74 would appear unlikely to be achieved.

Problems of India's sugar industry include low cane yields, which apparently will be solved only by the elimination of low yielding areas and technology, plus inefficient mill operation.

Currently, cooperative mills are accused of favoritism to large growers and officials while privately owned mills are threatened with nationalization. However, many of the latter are old and inefficient. The nationalization threat inhibits owner maintenance and the gradual deterioration of private mills continues. Despite these obstacles prices of cane and the various sugars are usually fairly attractive and an upward trend in production is probable.

Sugar rations are distributed in shops like this, which still handle much of India's rice.

Venezuela Announces Plan To Improve Livestock Industry

Ranch workers herding cattle on Venezuelan ranch.

Venezuela's Agricultural Development Bank (BDA) has announced a $47 million program to speed up growth of that country's livestock production. The program will be operated in four major cattle-growing regions of the country and bank officials say it can be expected to contribute markedly to the substantial growth expected in beef output in the next 6 to 8 years.

As part of earlier efforts to upgrade its cattle herds, Venezuela has imported sizable numbers of live cattle. During the period from 1965 to 1970, cattle imports had an annual average value of $1.8 million dollars; the U.S. share of these imports averaged 59 percent with a value of slightly more than $1 million per year.

In 1965 total live cattle imports by Venezuela amounted to $2.3 million with the United States providing slightly more than $2 million (90 percent) of the total. Two years later the United States supplied 83 percent of Venezuela's total live cattle imports of $1.8 million. In 1970, however, the U.S. share of Venezuelan imports of cattle valued at $1.6 million was only $279,000 (17 percent).

The four areas in which the new program is to be concentrated are the llanos (plains) of the adjoining States of Apure and Barinas, from the foot of the Andes eastward; the region south of Lake Maracaibo and the western side of the Andes; the north-central region; and the country's southeastern savanna. These four areas already have a large percentage of the country's developed pasture and cattle herds.

The plan's objective is to improve operations on 665 existing commercial ranches, all of which are beef operations. Funds provided by the program will be in the form of short- and long-term loans and will be used to pay for improvements of the ranches' physical layout as well as to purchase needed stock.

Approximately 247,000 acres of new, improved pastures will be developed. Some 4,300 miles of new fences will be installed and about 250 facilities for the storage of water will be constructed. Other aspects of the program include the acquisition and distribution of machinery and equipment for better herd management and the establishment of methods for genetic improvement of herds.

The ranches will be divided into four categories to allow better administration of the program. The first group of 250 will be breeding ranches. These will be principally in the llanos and run herds of about 1,200 head, including calves. Feeder cattle produced on these ranches will be fattened elsewhere in the country. The ranches will also produce heifers of improved types for sale to Venezuelan breeders.

Studies indicate that in these regions of the llanos, carrying capacity of pastures can be improved from the current 12.5 acres per animal unit to slightly more than 8 acres per unit. To obtain this increase, about 370 acres of new, improved pasture must be developed on each ranch in addition to the 247 acres now existing.

A second group of 250 ranches will operate a mixed breeding-feeding operation. These ranches will be in areas close to markets and to good existing roads. Before the start of the improvement program each ranch will have had approximately 247 acres of improved pasture with an average carrying capacity of one animal unit per 6 acres. The carrying capacity is to be improved to one animal unit per 4 acres and 370 acres of improved pasture will be added to the existing area. Breeding herds of between 550 and 600 head will be established on each of these ranches and each of them will carry approximately 250 additional head for fattening prior to slaughter.

Ranches for both beef and milk production fall into the third category. These ranches will be located principally in Zulia State, south of Lake Maracaibo. They will have an average area of 1,730 acres each. About 30 percent of the land is already in improved pasture and about 500 acres of additional pastureland will be improved under the program. More efficient management systems and methods to allow closer control of beef production will also be instituted.

Fifteen breeding centers make up the last category. Their major aim is to improve breeding stock.

The Agricultural Bank says that when the program is functioning at top capacity, 900 purebred bulls, 500 purebred heifers, 38,000 commercial heifers, and 60,000 steers for fattening will be produced annually.

The Venezuelan Government will finance 58 percent of the program ($27.2 million) from budgeted funds over a 5-year period. A World Bank loan for $10.8 million will also be used to support the program and an additional $8.88 million will be contributed by the Venezuelan livestock industry. This latter sum may be in cash, in the form of salaries paid to technicians, or for credits granted to livestock producers for animals retained on the ranch for breeding purposes.

—Based on a dispatch from
ROBERT S. FITZSIMMONDS
Former U.S. Agricultural Attaché
Caracas

Increased Meat Consumption Puts Spain In Fourth Place as U.S. Soybean Importer

Spain has increased its ranking as an export market for U.S. soybeans in recent years, and uptrends in consumption of meat and soybean oil will probably keep Spanish purchases of this U.S.-produced oilseed at high levels in future years.

U.S. soybean exports to Spain in 1970-71 (including transshipments) were 44.9 million bushels (1.22 million metric tons), an increase of over 50 percent from the 29.7 million bushels imported 4 years earlier.

Purchases of this magnitude have made Spain the fourth largest export market for American soybeans. Japan is the largest importer, having purchased 2.95 million metric tons in 1970-71. The Netherlands is in second position, and West Germany is third as an importer of U.S. soybeans.

One of the factors responsible for the marked increase in the use of U.S. soybeans by Spain is a growing demand for meat. Spain's booming economy doubled the country's per capita income between 1960 and 1970, making more money available for meat purchases.

By 1970, Spain's red meat production was nearly double the 1960 level, mounting from 568,000 metric tons to 910,000 tons. The country's poultry meat production on the other hand has almost quadrupled in the 9 years between 1961 and 1970, rising from 81,500 metric tons to 316,400 tons.

The demands of Spain's growing livestock industry have far outpaced production of high-protein feed ingredients and the feed industry is increasing its use of U.S. soybeans for crushing into meal. The United States supplies most of the soybeans for the meal utilized in Spanish mixed feeds.

Mixed feed production in Spain is now estimated at about 5 million metric tons annually. The Provinces of Tarragona and Barcelona in the northeast and Madrid and Valladolid in central Spain account for about half of the country's commercial feed production. Although there are some 700 mixed feed plants in Spain, about 70 percent of the country's mixed feed output is produced by seven companies or groups of companies.

Keeping pace with rising use of soybean meal in feed has been growing consumer acceptance of soybean oil for home use.

Increased crushing has made available bigger quantities of soybean oil on the market at prices making it highly attractive to consumers, despite the traditional Spanish taste for olive oil.

Although olive oil is still the country's most popular table oil, 128,000 tons of soybean oil were consumed in Spain during the 1970-71 marketing year. This was nearly one-fourth of the 550,000 tons of edible oils consumed in Spain in 1970-71.

In the current marketing year (1971-72), it is estimated that about 185,000 tons of soybean oil will be consumed out of the 233,000 tons of soybean oil produced by Spanish plants. Most of the oil will be extracted from U.S. soybeans, although Brazil's share of the Spanish soybean market may quite possibly increase in the future.

Several factors contribute to the rising consumption of soybean oil. In addition to the current shortfall in olive output because of drought, the Spanish Government is eager to boost exports of high-quality olive oil in order to earn foreign exchange, while at the same time it continues a program to eliminate production of lower quality olive oils. But perhaps the major reason for increased use of soybean oil, however, is growing acceptance by the Spanish people and its low price—it continues to be the cheapest edible oil on the Spanish market. Identity-preserved soybean oil is now available on the market and Spanish housewives are buying it as a replacement or a complement for the more expensive olive oil.

It is estimated that about 75 percent of the soybean oil consumed in Spain is now used in the home. The remainder goes into processing of commercially processed foods such as potato chips and in the mix of various types of commercially baked cakes now sold on a large scale.

Central American Cotton

(Continued from page 5)

This would compare with exports of 839,000 bales in 1970-71: Nicaragua supplied 364,000 bales; Guatemala 247,000 bales, and El Salvador 223,000 bales.

The current enthusiasm for cotton, however, is not expected to result in any extensive switchback of acreage formerly in cotton.

Some of the land that was shifted from cotton to other uses since peak acreages were recorded in the middle 1960's has been developed into permanent pasture for beef cattle. Other land was shifted to unimproved pasture or other annual crops. It is doubtful if some of this land was ever well suited for cotton production—even during periods of high prices. However, other land has been shifted from cotton to improved pasture or some other use that does have the inherent qualities necessary for producing cotton at a profit with current prices and good management.

There is no major obstacle in shifting from one annual crop to another although the impact of such shifts upon the demand for unskilled labor can be substantial. Even so, there is widespread opinion that it would be counterproductive to plow up good, well-established pasture and liquidate herds to take advantage of present-day cotton prices. However, any major diversion of acreage to cotton could cause a tight supply situation for products that are reduced.

Cotton fever with respect to the 1972-73 crop is not limited to cotton farmers. In February, it appeared to exist throughout the entire governmental and business communities. Everyone expected that the combination of tight cotton supply for the world and high cotton prices would work to his financial advantage. The benefits are expected to be shared by farmers, farm laborers, landlords, suppliers of farm inputs and machinery, credit institutions, and cotton firms.

The countries as a whole expect to benefit from the increased value of domestically produced goods and services and increased foreign exchange earnings.

All are equally confident that they will benefit from the favorable prospects for cotton in 1972-73 without danger of becoming overextended should the boom end earlier than expected.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	July 26	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	2.02	0	1.93
USSR SKS-14	(1)	(1)	1.88
Australian FAQ[2]	1.81	+3	1.77
U.S. No. 2 Dark Northern Spring:			
14 percent	1.91	−2	1.88
15 percent	1.99	−2	1.93
U.S. No. 2 Hard Winter:			
13.5 percent	1.82	0	1.83
No. 3 Hard Amber Durum	1.91	−2	1.79
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	1.69
Feedgrains:			
U.S. No. 3 Yellow corn	1.50	0	1.65
Argentine Plate corn	1.74	−4	1.77
U.S. No. 2 sorghum	1.46	−2	1.59
Argentine-Granifero sorghum	1.47	−3	1.63
U.S. No. 3 Feed barley	1.24	−4	1.20
Soybeans:			
U.S. No. 2 Yellow	3.79	−1	3.65
EC import levies:			
Wheat[3]	[4] 1.80	−2	1.44
Corn[3]	[4] 1.23	0	.76
Sorghum[3]	[4] 1.25	0	.88

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Italian levies are 21 cents a bu. lower than those of other EC countries. Note: Basis 30- to 60-day delivery.

TOBACCO

Rhodesian Trade Sanctions Continued

The British Government announced May 23 after release of the Pearce Commission report that it was abandoning its agreement with the Rhodesian Government and would continue the embargo on all trade. According to the Pearce report, Britain's settlement agreement with Rhodesia was unacceptable to the majority of the Rhodesians.

This action should have a substantial impact on the Rhodesian tobacco industry and make a significant difference in outlook for U.S. tobacco export trade. Rhodesian tobacco growers had been most hopeful of a settlement with Britain and restoration of trade. Tobacco played a major role in development of the agricultural industry prior to Rhodesia's independence declaration in 1965, and the Rhodesian agricultural economy has been particularly hard hit by the sanctions.

Rhodesia sold over 200 million pounds of tobacco at the peak of trade with major markets in the United Kingdom, Germany, and Japan in competition principally with U.S. tobacco. The Rhodesians, now secretly selling their 1972 crop of about 45 million pounds, were anticipating larger crops and a revitalized industry in the years ahead with acceptance of the agreement.

Even with the embargo, quantities of Rhodesian tobacco, estimated at about 75 million to 100 million pounds, have moved annually in recent years into international trade. However, this new turn of events may dampen any further expansion of this trade in the next year or two.

FRUITS, NUTS, AND VEGETABLES

U.K. Hop Demand Declines Again

Market demand for Great Britain's 1972 hop production is placed at 19.4 million pounds—10 percent below last year and the second consecutive yearly decline. Improved utilization of hops by brewers and a reduced growth rate for beer output are cited as key factors behind the declining demand.

In addition, industry officials are concerned about the producers' failure to satisfy the growing demand, both domestic and foreign, for high alpha varieties. Production of seeded hops further limits the export potential of the U.K. output.

In early June 1972, 16,874 acres were under hops, compared with 17,375 acres a year ago. One encouraging sign for U.K. producers was the 924-acre reduction in Fuggle plantings (a low alpha variety) and the 441 acres planted to higher alpha varieties.

Smaller 1972 Taiwan Canned Pineapple Production Target

Pineapple canners in Taiwan have announced a 1972 production target of 4.0 million cases, 11 percent below 1971.

Canned pineapple production has increased significantly in recent years, averaging 2.5 million cases during 1960-64 and slightly less than 4.0 million cases during 1965-69, and totaling 4.4 million cases in 1970 and 4.5 million cases in 1971.

The United States and West Germany are the major markets for Taiwan's canned pineapple. U.S. imports totaled

1.6 million cases during calendar 1971. Current forecasts indicate that 1972 Taiwanese exports will total 4.0 million cases. Exports to the United States are forecast at 1.6 million cases and exports to West Germany, at 800,000.

The Taiwan Pineapple Packers Export Corporation, a newly organized export organization, has announced the following quotations for fruit shipped to international markets:

Can size	Capacity	United States and Canada	Japan and other Asia	Europe
		Dollars per case, f.o.b.	*Dollars per case, f.o.b.*	*Dollars per case c.i.f.*
New No. 1	6-108 oz.	4.50	4.70	5.20
No. 2	24-30 oz.	4.80	5.00	5.50
No. 3	24-20 oz.	3.40	3.60	3.80
No. 3B	24-15 oz.	3.20	3.40	—
No. 4	24-15 oz.	3.10	3.30	3.40
Flat 2	48-8½ oz.	3.60	3.80	4.00

SUGAR AND TROPICAL PRODUCTS

Senegal Plans New Sugar Production

An 18,750-acre sugarcane plantation, complete with a processing plant, is Senegal's largest agricultural project, as well as the country's biggest completely private investment.

The Cie. Sucrière Sénégalaise (CSS), commonly known as the Mimram Sugar Operation, now has 1,250 acres under cultivation and will plant five times that amount by September 1972. The plantation already employs 1,000 men and will eventually employ 1,000-1,500 more.

In addition to a 100,000-ton-per-year sugar refinery, the project includes a distillery (with an annual capacity of 8,000 gallons of rum and alcohol) and calls for the production of molasses and baker's yeast.

While production of sugarcane has long been considered a possibility in this area, it was not seriously considered until 1970, when attempts to grow rice were abandoned. A contract has been signed which guarantees the CSS all of Senegal's sugar market—currently 70,000 metric tons annually. While irrigation, drainage, and ground leveling have been major problems, the CSS hopes to bring the entire area under cultivation within 3 years, rather than the 5 years originally projected.

France May Up Sugar Production This Year

France's area planted to sugar beets specifically for sugar extraction in 1972 is about 5.4 percent larger than last year. This acreage is about 412,000 hectares (1,018,000 acres) for sugar, and an additional 30,000 hectares (75,000 acres) is planted for the purpose of alcohol distillation.

Due to frequent and abundant spring rains at planting time, the early growth was reportedly very irregular; nevertheless, larger stocks and prospects of larger production characterize the situation at the beginning of 1972-73.

The estimate for combined French beet sugar and cane sugar production for 1971-72 is 3,230,000 metric tons (raw value). Cane sugar production for 1971-72 dropped to 289,000 tons from 375,000 tons in 1970-71. The island of Reunion produced about 182,000 metric tons in 1971-72 and will probably have a production of 250,000 tons for 1972-73. Guadeloupe and Martinique have just finished another disastrous year with a combined production estimated at only 107,000 mertic tons.

France and the Overseas Departments in 1971-72 produced some 850,000 metric tons of refined sugar in excess of their basic quota under the EC's Common Agricultural Policy.

West Germany Announces Cut-Orchid Import Tender

West Germany has announced a tender allowing imports of fresh cut orchids from all countries except the Eastern Bloc. Applications for import licenses will be accepted until an undisclosed value limit is reached, but not later than June 28, 1973. Licenses issued will be valid through June 30, 1973. Plant protection regulations and EC quality standards must be observed. Country purchased from and country of origin must be identical.

FATS, OILS, AND OILSEEDS

Japan Imports More Oilseeds and Meals

Japanese imports of oilseeds and meals during the October 1971-May 1972 period showed further recovery in the growth of Japanese feed demand. Totaling 2.55 million metric tons, soybean meal equivalent, these imports were some 11.8 percent above the 2.28 million tons imported in the same 8 months of 1970-71.

Imports of soybeans and meal from the United States during this 8-month period amounted to 1.74 million tons, soybean meal equivalent, or 6.9 percent above the comparable 1970-71 period.

The renewed growth of Japan's oilseed and meal imports reflects reductions which occurred in mixed feed prices in late 1971 and early 1972. Lower feed prices were made possible by revaluation of the Japanese yen and by devaluation of the U.S. dollar.

JAPAN'S IMPORTS OF OILSEEDS AND MEALS[1]
[In thousands of metric tons]

Month	1969-70		1970-71		1971-72	
	From U.S.[2]	Total	From U.S.[2]	Total	From U.S.[2]	Total
October	124	232	226	328	249	351
November	178	239	208	287	193	296
December	211	282	214	336	237	345
January	218	298	208	287	200	296
February	214	304	215	289	214	325
March	168	277	216	292	196	285
April	168	287	191	262	268	373
May	211	327	149	202	183	282
June	210	293	181	254	—	—
July	190	290	175	239	—	—
August	173	266	167	258	—	—
September	219	322	185	275	—	—
Total	2,284	3,417	2,335	3,309	—	—

[1] Soybean meal equivalent basis. [2] Soybeans and meal from the U.S., soybean meal basis.

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FOREIGN AGRICULTURE

U.S.-China Agricultural Trade *(Continued from page 4)*

China after a shortfall in the 1970 wheat crop. The Common Market also failed to make subsidies available at rates which would permit wheat exports to China.

Australia exported until February 1971, when its last sales contract expired. Peking made it clear at that time that future purchases of wheat would probably depend on Australian recognition of China.

Currently, Canada alone is shipping wheat to China. One apparently highly favorable factor in that trade is Canada's recent (late 1970) establishment of diplomatic relations. But it is believed that China does not like to be excessively dependent on supplies from a single country; in this case, Canada. This would seem especially to be true of such an important commodity as wheat, which accounted for 15 percent of China's imports from non-Communist countries in 1970.

A wide range of U.S. wheats should appeal to China. U.S. prices and available credit terms should be competitive, and west coast facilities could handle any trade which develops. Logistically, at least, the United States is in a good position to sell wheat to China.

Another possibility for U.S. agricultural exports to China is **cotton.** While it does not now appear as promising a prospect as wheat, cotton was a leading U.S. export to China in the late forties, reaching $92 million in value in 1946, 49 percent of total U.S. agricultural exports to China that year.

In the latter part of the 1960's, China's raw cotton imports fluctuated considerably, ranging between 64,000 and 168,000 tons annually, but with a generally downward trend beginning in 1967. Major suppliers are currently Pakistan, Syria, Tanzania, Sudan, and Egypt. China also imports cotton from several other Middle Eastern and African countries.

The United States could conceivably break into this market, especially if China's textile exports expand—which appears likely—or if the current cotton cloth ration were to be increased, even by a small amount. But U.S. reentry into the Chinese cotton import market may prove difficult in the absence of any such developments.

A third major commodity which appears to have even less chance than either wheat or cotton is **tobacco.** U.S. tobacco exports were also important in the immediate postwar period prior to the Korean War embargo. In 1948-49, for example, the United States exported 2,535 tons of unstemmed flue-cured leaf, stemmed flue-cured leaf, and cigar binder to China.

But China has now become an important exporter of tobacco. Following the bad crop years at the beginning of the 1960's, China reduced its exports of tobacco—which had reached a high of 54,000 metric tons in 1957—and imported 3,000 to 4,000 tons each in 1963 and 1964. Since then, however, tobacco imports have been negligible. Rather, China has been rebuilding its exports of unmanufactured tobacco, which reached 27,250 tons in 1969.

Thus, the prospects for sales of U.S. tobacco to China, at least in the foreseeable future, are not favorable. On the contrary, China—once a good market for U.S. tobacco—has become an exporter, with tobacco currently going to a dozen or more countries, including nine West European countries.

Other commodities. Most of China's important agricultural imports besides wheat and cotton are commodities which the United States either does not produce or export in any quantity. Sugar, crude rubber, jute, and wool, accounting for an additional 31.7 percent, are good examples.

Other commodities which appear to offer the next best opportunities for the United States are vegetable and animal oils and fats and oilseeds, but these commodities together accounted for only $5.8 million—or 1.2 percent—of China's agricultural imports from non-Communist countries in 1970.

Thus, except for grain and cotton, the possibilities for U.S. agricultural exports to China in the near future may be limited to small quantities of a scattered selection of commodities with modest foreign exchange earnings overall. However, it is too early to anticipate changes in China's import trade structure which would provide opportunities for the United States in the years ahead.

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